

DEPARTMENT OF DEVELOPMENTAL SERVICES 2004-05 GOVERNOR'S BUDGET HIGHLIGHTS

Message from the Director

The Governor is committed to resolving the state's current fiscal crisis and to get the state back on track. While it is recognized that health and human services are critical, these programs represent the biggest cost drivers in the State budget. The Administration is challenged to balance the twin imperatives of maintaining essential services to our most vulnerable and at-risk residents, while implementing strategies to better manage and control program costs over the long term. Consequently, the developmental services program, like many others in the California Health and Human Services Agency, will be proposing ways to curb the rate of growth in dollars while maintaining the core mission of this program. Regardless of the many reasons why growth in the community program has been occurring at a significant rate over the past several years, currently there are not sufficient resources to continue expending at this pace and still support other programs in the various departments. The Governor has asked that approaches to control costs and maximize efficiencies be developed in the community program as an alternative to capping enrollment, which he was not satisfied is the only way to institute reform.

Consequently, the Governor earlier announced that the mid-year proposals affecting this program were off the table. No single solution can solve the growth problem, nor can the magnitude of the problem be solved in one year. Consequently, this budget includes multi-year community proposals that include structural changes that, over time, will reduce the rate of growth to within available resources. The package represents a fair and equitable approach that respects the Lanterman Developmental Disabilities Act entitlement, avoids waiting lists, does not impose categorical reductions or enrollment caps, and does not compromise the basic integrity of the program or continued federal financial participation.

We are committed to work with all the stakeholders on how to improve these proposals and/or other ideas that will ensure people's needs are met while helping the state and regional centers more efficiently and effectively manage costs. I want to thank you in advance for your efforts that will help the system succeed now and into the future.

CLIFF ALLENBY

January 9, 2004

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2004-05 GOVERNOR'S BUDGET**

FUNDING SUMMARY

(Dollars in Thousands)

BUDGET SUMMARY:	2003-04 Estimated	2004-05 Proposed	Difference	Percent Change
COMMUNITY SERVICES	\$2,554,079	\$2,708,500	\$154,421	6.0%
DEVELOPMENTAL CENTERS	714,844	690,076	-24,768	-3.5%
HEADQUARTERS SUPPORT	29,857	31,251	1,394	4.7%
STATE MANDATES	4	4	0	0.0%
TOTALS, ALL PROGRAMS	\$3,298,784	\$3,429,831	\$131,047	4.0%
FUND SOURCES:				
General Fund	2,054,876	2,169,085	114,209	5.6%
Reimbursements: Totals All	1,188,056	1,203,388	15,332	1.3%
<i>Medicaid Waiver</i>	546,288	552,858	6,570	1.2%
<i>Medicaid Waiver Administration</i>	17,577	17,865	288	1.6%
<i>Medicaid Administration</i>	9,399	9,399	0	0.0%
<i>Targeted Case Management</i>	112,610	102,921	-9,689	-8.6%
<i>Medi-Cal</i>	348,403	319,576	-28,827	-8.3%
<i>Title XX Social Services Block Grant</i>	147,903	195,903	48,000	32.5%
<i>All Other</i>	5,876	4,866	-1,010	-17.2%
Federal Trust Fund	52,200	53,341	1,141	2.2%
Lottery Education Fund	2,221	2,221	0	0.0%
Program Development Fund	1,431	1,496	65	4.5%
Developmental Disabilities Services Acct.	0	300	300	300.0%
AVERAGE CASELOAD:				
Developmental Centers	3,490	3,367	-123	-3.5%
Regional Centers	190,030	199,295	9,265	4.9%
AUTHORIZED POSITIONS:				
Developmental Centers	8,553.1	7,883.8	-669.3	-7.8%
Headquarters	342.5	356.5	14.0	4.1%

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2004-05 GOVERNOR'S BUDGET**

PROGRAM HIGHLIGHTS

Community Services Program

The Governor's Budget for 2004-05 proposes an increase of \$154.4 million (from \$2.6 billion in 2003-04 to \$2.7 billion in 2004-05), a 6 percent increase in funding for regional centers. Significant changes proposed for 2003-04 and 2004-05 are as follows:

Current Year 2003-04

Caseload Update

A decrease of \$28.4 million (\$27.1 million General Fund) to reflect updated population, service utilization and expenditure data for regional center Operations and Purchase of Services.

Community Care Facility Service Level Freeze Update

A decrease of \$5.4 million (\$1 million General Fund) to reflect a revised estimate of the impact of the community care facility service-level rate freeze.

Contracted Services Rate Freeze Update

An increase of \$2.3 million (\$2.1 million General Fund) to reflect a revised estimate of the impact of the freeze on contracted rates for the purchase of specified services.

Real Choice Systems Change Grant

An increase of \$.1 million in federal funds awarded as a three-year demonstration and research grant for the purposes of designing a model for a locally-based "Quality Services Network" focusing specifically on improving provider capability and for designing and testing a consumer/family satisfaction survey.

One-Time Federal Medical Assistance Percentages (FMAP) Adjustment

A one-time \$38.5 million General Fund decrease and a commensurate increase in reimbursements based upon the FMAP rate reflecting the impact of the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

Increased Medicaid Waiver for Habilitation Services

An increase of \$1.6 million in Medicaid Waiver funds for habilitation services provided by the Department of Rehabilitation (DOR) resulting from updated population, service utilization and expenditure data for the Habilitation Services Program.

Budget Year 2004-05

Caseload Update and Increased Service Utilization

An increase of \$134 million (\$101.7 million General Fund) to reflect updated caseload estimates and additional costs in the regional center system due to increased utilization of services based on projected consumer needs.

Habilitation Services Program Transfer

An increase of \$104.9 million General Fund for the transfer of the Habilitation Services Program from DOR to DDS. This increase is added to the existing \$21.7 million in Medicaid Waiver reimbursements in DDS' budget for a total of \$126.6 million for the Habilitation Services Program.

Operations Cost Containment

A decrease of \$6.5 million (100% General Fund) to reflect reduced funding for the administrative activities at the regional centers.

Purchase of Services Cost Containment

A decrease of \$100 million (100% General Fund) for Purchase of Services. This reduction will be achieved through a number of proposals in 2004-05 and 2005-06. The proposals will recommend establishing Purchase of Services standards, share of cost liability, a standard rate structure, and an alternative service delivery method.

Continuation of the 2003-04 Purchase of Services Unallocated Reduction

Continuation of the \$10 million unallocated reduction in Purchase of Services that was assessed in 2003-04.

Continuation of the Day Program Rate Freeze

Continuation from 2003-04 of the day program rate freeze for purposes of temporary payment rates to permanent rate conversions, program design modifications or revendorization of existing programs.

Continuation of the Contracted Services Rate Freeze

Continuation from 2003-04 of the rate freeze affecting vendors with whom the regional centers contract for services. This includes the following types of services: supported living, transportation, socialization training programs, behavior intervention training, community integration training programs, community activities support services, mobile day programs, creative art programs, supplemental day services program supports, adaptive skills trainers, and independent living.

Continuation of the Community Care Facility Service Level Freeze

Continuation from 2003-04 of the service level freeze for community care facility service providers.

Continuation of the SSI/SSP Pass-Through Elimination

Continuation of the elimination of the January 1, 2005 SSI/SSP rate increase pass through to community care facility providers.

Continuation of Non-Community Placement Plan Start-up Suspension

Continuation of the 2002-03 suspension of funding for start-up of new non-Community Placement Plan programs unless the expenditure is necessary to protect consumers' health or safety and DDS has granted prior authorization for expenditure.

Continuation of Intake and Assessment – 60 Days to 120 Days

Continuation of the 2002-03 provision to extend the amount of time allowed for regional center assessment from 60 days to 120 days following initial intake.

Change in Eligibility Definition Update

A decrease of \$2.1 million (100% General Fund) for the continued impact of applying the federal standard for "substantial disability" to existing Lanterman Developmental Disabilities Services Act eligibility criteria.

Affordable Housing

An increase of \$.6 million (\$.3 million General Fund) to renew a three-year interagency agreement with the Department of Housing and Community Development in which HCD will provide technical assistance and monitoring of housing projects for persons with developmental disabilities.

Real Choice Systems Change Grant

An increase of \$.2 million in federal funds awarded as a three-year demonstration and research grant for the purposes of designing a model for a locally-based "Quality Services Network" focusing specifically on improving provider capability and for designing and testing a consumer/family satisfaction survey.

Title XX Social Services Block Grant Increase

A decrease of \$48 million General Fund and a commensurate increase in Title XX, Social Services Block Grant - Temporary Assistance for Needy Families (TANF) reimbursements from the Department of Social Services.

Co-Payment Assessment Program

Implementation of a plan to be submitted to the Legislature by April 1, 2004 that will propose a system of enrollment fees/co-payments to be assessed on parents of minor children between the ages of 3 and 17 years who live at home and receive services through the regional center system.

Developmental Centers Program

The proposed Governor's Budget for 2004-05 decreases the Developmental Centers Program by \$24.7 million (from \$714.8 million to \$690.1 million), a 3.5 percent decrease in funding for the developmental center system. The total number of positions proposed for the Developmental Centers Program in 2004-05 is 7,883.8, a net decrease of 669.3 positions. Significant changes proposed for 2003-04 and 2004-05 are as follows:

Current Year 2003-04

Developmental Center Staff Reduction

An ongoing decrease of \$1.7 million (\$.5 million General Fund) and 31 positions related to a decline in residents from the budgeted level.

Employer Retirement Contributions and Employee Compensation

An ongoing increase of \$31.2 million (\$16.5 million General Fund) for increased employer retirement contributions and employee compensation costs.

One-Time Federal Medical Assistance Percentages Adjustment

A one-time \$20.5 million General Fund decrease and a commensurate increase in reimbursements based upon the FMAP rate reflecting the impact of the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

Budget Year 2004-05

Non-Direct Care Services Contracts

A reduction of \$1.6 million (\$.9 million General Fund) and 459.3 positions to reflect the ability to contract for non-direct care services. This reduction relates to contracting for food services in the developmental centers.

Developmental Center Population Adjustment

A decrease of \$16 million (\$9.3 million General Fund) and 210 positions resulting from a projected net decline in population of 123 residents in the developmental centers system from 3,490 residents in 2003-04 to 3,367 residents in 2004-05.

Workers' Compensation

A decrease of \$1.8 million (\$.7 million General Fund) for workers' compensation to employees who worked at Stockton and Camarillo Developmental Centers.

Headquarters

The proposed Governor's Budget for 2004-05 increases DDS' Headquarters budget by \$1.4 million (from \$29.9 million to \$31.3 million), an increase of 4.7 percent over the current year budget. The total number of positions proposed for Headquarters in 2004-05 is 356.5, an increase of 14.0 positions. Significant changes proposed for 2003-04 and 2004-05 are as follows:

Current Year 2003-04

Headquarters Staff Reduction

An ongoing decrease of \$4.4 million (\$2.9 million General Fund) and 56.5 positions due to the State's fiscal crisis.

Employer Retirement Contributions and Employee Compensation

An ongoing increase of \$2 million (\$1.3 million General Fund) for increased employer retirement contributions and employee compensation costs.

Budget Year 2004-05

Habilitation Services Program Transfer

An increase of \$1.4 million (\$1.1 million General Fund) and 14.0 positions resulting from the transfer of the Habilitation Services Program from DOR.

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2004-05 GOVERNOR'S BUDGET**

(Dollars in Thousands)

	2003-04 Estimated	2004-05 Proposed	Difference	Percent Change
Community Services Program				
Regional Centers	\$2,511,079	\$2,688,405	\$177,326	7.1%
Operations	425,188	420,093	-5,095	-1.2%
Purchase of Services	2,085,891	2,268,312	182,421	8.7%
Early Intervention Program	20,095	20,095	0	0.0%
Habilitation Services	22,905	0	-22,905	-100.0%
Totals, Community Services	\$2,554,079	\$2,708,500	\$154,421	6.0%
General Fund	1,670,418	1,778,740	108,322	6.5%
GF Reappropriation	351	0	-351	-100.0%
PDF	1,100	1,200	100	9.1%
DDSA	0	300	300	300.0%
Federal Trust Fund	49,262	50,415	1,153	2.3%
Reimbursements	832,948	877,845	44,897	5.4%
Developmental Centers Program				
Personal Services	\$557,218	\$539,598	-\$17,620	-3.2%
Operating Expense & Equipment	157,626	150,478	-7,148	-4.5%
Total, Developmental Centers	\$714,844	\$690,076	-\$24,768	-3.5%
General Fund	365,247	370,328	5,081	1.4%
Federal Trust Fund	825	813	-12	-1.5%
Lottery Education Fund	2,221	2,221	0	0.0%
Reimbursements	346,551	316,714	-29,837	-8.6%
Headquarters Support				
Personal Services	\$24,852	\$25,878	\$1,026	4.1%
Operating Expense & Equipment	5,005	5,373	368	7.4%
Total, Headquarters Support	\$29,857	\$31,251	\$1,394	4.7%
General Fund	\$18,856	\$20,013	\$1,157	6.1%
Federal Trust Fund	2,113	2,113	0	0.0%
PDF	331	296	-35	-10.6%
Reimbursements	8,557	8,829	272	3.2%
			0	
State Mandates	\$4	\$4	\$0	0.0%
General Fund	4	4	\$0	0.0%
Totals, All Programs	\$3,298,784	\$3,429,831	\$131,047	4.0%
General Fund	2,054,525	2,169,085	114,560	5.6%
General Fund Reappropriation	351	0	-351	-100.0%
Federal Trust Fund	52,200	53,341	1,141	2.2%
Lottery Education Fund	2,221	2,221	0	0.0%
PDF	1,431	1,496	65	4.5%
DDSA	0	300	300	300.0%
Reimbursements	1,188,056	1,203,388	15,332	1.3%
Caseloads:				
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Authorized Positions:				
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